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C O N F I D E N T I A L SECTION 01 OF 04 GUATEMALA 000403

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TAGS: [PREL](#) [PGOV](#) [SNAR](#) [PHUM](#) [ECON](#) [ETRD](#) [MARR](#) [GT](#)

SUBJECT: WHA/CEN DIRECTOR TRIVELLI DISCUSSES CAFTA,
COUNTER-DRUG COOPERATION AND HUMAN RIGHTS WITH GUATEMALANS

Classified By: PolCouns David Lindwall for reason 1.5 (d).

11. (C) Summary: During a two-day visit to Guatemala, WHA/CEN Director Paul Trivelli discussed counter-narcotics certification and free trade with Vice President Reyes and the Acting Foreign Minister; CAFTA and fiscal responsibility with the economic cabinet and business leaders; and support for human rights programs with human rights leaders. He visited the site of an exhumation from the internal conflict to show support for the work of threatened human rights activists seeking to heal wounds left over from the war. GOG and private sector interlocutors were uniformly excited about the prospects of a free trade agreement with the US, and recognize that many non-trade related issues must be addressed in order for CAFTA to be approved. Human rights leaders are refining their proposals for the creation of an international commission to investigate the operations of clandestine groups and welcomed our support. Guatemalans view 2003 as a pivotal year for the future of the country, as elections and CAFTA negotiations will determine if Guatemala will embrace the 21st century at the same pace as its neighbors. End summary.

Vice President bullish on CAFTA

12. (C) The Ambassador, visiting WHA/CEN Director Trivelli and visiting AID Assistant Administrator Franco met with Vice President Francisco Reyes on February 6 to discuss the full range of bilateral issues. The meeting was frank and cordial. AID/LAC Franco said the USG was pleased to see Guatemala field a capable team of negotiators to the first CAFTA meeting in Costa Rica, and said the U.S. views a free trade agreement as the best hope for reducing poverty in the region. Franco noted that CAFTA would bring with it a deeper relationship between our governments and societies, and said that Congress would have to consider a range of non-trade issues in the bilateral relationship as "background" to ultimately approving CAFTA. The Ambassador, Trivelli and Franco all noted that corruption, counter-narcotics cooperation, effective investigation of Amcit murders, and human and labor rights performance were matters that would be raised by critics of globalization who will question why the United States is seeking a special relationship with Guatemala at this time. Vice President Reyes acknowledged that these issues are ultimately inseparable from a free trade relationship, calling them "links in the same chain," and said the GOG has the political will to address them. He said that President Portillo has asked him to coordinate the efforts of the different GOG entities that were participating in the trade talks.

13. (C) Vice President Reyes said that the GOG would like to have CAFTA ready to sign by September, 2003 (note: two months before national elections. end note). He believes the agreement with Chile could serve as a point of departure, but said that Central America's unique situation would require modifications. He said that many in the private sector oppose a free trade agreement because they believe it will threaten their long-held monopolies. AID/LAC Franco responded that it is important that the government address these concerns by consulting the private sector and civil society throughout the negotiating process.

14. (C) WHA/CEN Trivelli told the Vice President that it is critical that Guatemala's counter-narcotics cooperation improve rapidly. He also observed that continuing decertification status for Guatemala would seriously complicate finalization of a free trade agreement. Trivelli noted that there will be a formal review of Guatemala's counter-narcotics performance in September, and it is crucial that major advances take place before that. Vice President Reyes said that bi-weekly consultations had been set up between the GOG and the Embassy to address our specific concerns, and that the GOG would like to achieve re-certification as soon as possible.

15. (C) Trivelli also told the Vice President that the USG applauded the Human Rights Ombudsman's recent call for the creation of an international commission to investigate the illegal activities of "clandestine groups," and that we hope the GOG will support the proposal. Vice President Reyes said that President Portillo had already expressed his support for this endeavor, but that he (Vice President Reyes) was withholding judgment until he knew more about its goals.

16. (C) The Ambassador raised our request for GOG support for Secretary Powell's February 5 UNSC statement on Iraq

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(reported septel), and asked the Vice President to urge the Ministers of Agriculture and Environment to resolve quickly a dispute that has put a temporary halt to a joint U.S.-Mexico-Guatemalan program to eradicate the Mediterranean fruit fly. The Vice President promised to get in touch with the Ministers of Agriculture and Environment that day to see how this problem, which could have serious consequences for the eradication program in Guatemala, could be resolved expeditiously.

Foreign Ministry makes CAFTA priority

17. (C) The Ambassador and WHA/CEN Director Trivelli met with Acting Foreign Minister Rony Abiu at the MFA on February 6 to discuss CAFTA, border talks with Belize and an Article 98 agreement. Vice Minister Abiu, who had only been appointed two weeks previously and who handles the MFA's economic and trade portfolios, said that the MFA has made securing a free trade agreement with the U.S. its "highest priority." He said that the Ministry of Economy had the lead in the negotiations, but that the MFA had responsibility for matters involving regional integration. In that vein, he said that the MFA was tasked with managing the parallel talks with the other Central American partners to establish a customs union as a foundation for CAFTA. The Ambassador and WHA/CEN Trivelli noted that it would be crucial to address counter-narcotics cooperation, threats against human rights workers and the unresolved murders of Amcits before the CAFTA process can be finalized. Abiu acknowledged that "free trade agreements have important underlying political components," and said the GOG is determined to address those issues.

18. (C) Trivelli raised USG disappointment at the failure of Guatemala to embrace the recommendations of the facilitators regarding the border demarcation with Belize, noting that it is crucial at this juncture that both sides agree to confidence and security building measures (CSBM's) that will reduce border tensions. Abiu said the GOG also placed a high value on extending the CSBM's, and said the GOG was hopeful that there would be an agreement with Belize which would allow Foreign Minister Gutierrez to sign a CSBM's agreement with Belize on February 8.

19. (C) Trivelli closed the meeting by noting that the USG was hopeful that Guatemala would sign an agreement with us extending to U.S. military personnel in Guatemala protections under Article 98 of the Treaty of Rome. He noted that U.S. military assistance to countries that had not signed these agreements would be limited by law, making it difficult for the U.S. to continue carrying out humanitarian exercises in those countries that had not signed Article 98 agreements. The Embassy sent a diplomatic note to the MFA in 2002 proposing the signing of an agreement, but had not received a response. Abiu said he was unfamiliar with the matter, but promised to look into it and get back to us soonest.

Economic Cabinet: CAFTA and fiscal discipline

10. (C) The Ambassador and WHA/CEN Trivelli met with Minister of Finance Eduardo Weymann, Minister of Economy Patricia Ramirez and chief GOG CAFTA negotiator Salomon Cohen on February 7. Cohen, just returned from the first CAFTA negotiating session in San Jose, said that the first round of free trade talks had gone well, and that all sides were energized by the possibilities. He said that the Chilean agreement was a good starting point, but noted that Guatemala would require "special attention" to issues not covered in the Chilean agreement, including sugar, poultry and textiles. On textiles, Cohen said that Guatemala is interested in talking about "cotton-forward," a concept he said USG negotiators had neither accepted nor discounted. Cohen and Ramirez both said Guatemala was concerned that the negotiations would "start at zero," (applied MFN tariffs) not taking into consideration that Guatemala already had significant benefits under GSP and CBI. They acknowledged that market access talks with Chile had started with applied tariff rates, but feared that Guatemala producers would find it unacceptable that Guatemala would have to negotiate from a base which did not take into consideration tariff concessions they already have. Negotiator Cohen said that for CAFTA to work, it would be critical for the USG to provide significant infrastructure assistance to Guatemala (he mentioned irrigation specifically), noting that otherwise Guatemala was unlikely to compete well in any free trade arrangement. Trivelli noted that it is critical that the GOG bring the private sector and civil society along by consulting regularly with them, as their support will be crucial if CAFTA is to work.

11. (C) Finance Minister Weymann, overwhelmed by the ongoing teachers' protest demanding a 60% salary increase, said that

the GOG must impose fiscal discipline. He said the IMF agreement is the only lever he has to compel the cabinet to exercise some discipline in spending in an election year. He acknowledged USG concerns over Guatemala's low rate of taxation (just over 10 percent), and said that taxes will have to be raised. He said that even so he does not know how the GOG will pay the 100 Quetzales (roughly \$13) monthly increase being offered teachers, and he fears it could create unmanageable expectations from the rest of the public sector. Weymann said that the government is floating eurobonds for the purpose of financing a major reduction in the military, providing counterpart funds for foreign aid projects, providing support for victims of the internal conflict and former civil patrol members, and armor-plating the Quetzal in an election year. The Ambassador expressed the international community's concern that the proposed uses of the bond's proceeds had not been clearly explained. Weymann countered that he and Central Bank President Sosa has stated clearly to the press how the funds would be used. He then mentioned some of the changes that had been made to the original plan. (Comment: In fact the FRG is trying to float the Eurobonds for some projects of dubious economic benefit but with potential political payoffs in an election year.)

Business leaders optimistic despite confrontation with government

12. (C) Following lunch with the Economic Cabinet, WHA/CEN Trivelli met with representatives of Guatemala's private sector -- Peter Lamport, Richard Aitkenhead and William Stixrud, former Finance Ministers and/or Ambassadors to Washington during the PAN administration of Alvaro Arzu. All agreed that the private sector strongly supports the conclusion of a free trade agreement with the U.S. While they acknowledged that there was some concern over the lack of dialogue with the GOG on CAFTA, they believe that ultimately they will be consulted by Guatemala's new negotiating team. Lamport commented that some members of the private sector are concerned about the fate of poultry and sugar in the negotiations, and are not convinced that the GOG, currently confronted with the private sector, will look after their interests in these areas.

13. (C) The business leaders said that they would welcome dialogue with the GOG, but said the Portillo Administration had consistently shunned contact with them. They said that former Minister of Economy Arturo Montenegro lost his job for trying to establish a dialogue with the private sector. The private sector leaders acknowledged the need for increased tax collection, but said the government had reneged on its promises made regarding the fiscal pact. They do not believe Portillo can be trusted to stick to any agreement they reach, and have placed their hopes in the election of a new government this fall. The businessmen said that if the FRG is re-elected this fall, it would be calamitous for Guatemala, and investment would disappear.

14. (U) Guatemala's organized private sector views El Salvador as a model for just about everything -- pragmatic government, strong political parties (read ARENA), and a private sector that is deeply involved in social development. The private sector leaders said that they are in constant contact with their Salvadoran counterparts for the purpose of adapting their successes to Guatemala's situation. Lamport nevertheless agreed with Trivelli that the Salvadoran example was not perfect, as ARENA lacked a credible counterweight on the moderate left.

Human Rights groups welcome USG support for commission against clandestine groups

15. (SBU) WHA/CEN Director Trivelli met with human rights leaders Helen Mack, Mario Polanco, Claudia Samayoa, and Orlando Blanco at the Myrna Mack Foundation on February 6. After a brief press conference, Trivelli thanked the activists for the meeting and reiterated our strong support for advancing human rights in Guatemala and our specific interest in the latest initiative to investigate the illegal activities of clandestine groups. Mack thanked him for the overwhelming USG support and advice. Polanco cautioned that the human rights groups still needed more guidance to make the commission effective. Trivelli mentioned that the USG is looking into ways to help technically support as well as fund the international commission which will look into the operations of clandestine groups and that we hope other donors follow suit. Trivelli also recommended that the human rights groups finalize the details of their proposal before entering into negotiations with the GOG. Mack agreed and said they hoped to formulate a proposal that was credible and realistic.

16. (SBU) After discussion of the clandestine groups proposal, Mack expressed concern over the new law regulating NGO's which is currently being discussed in Congress. The human rights groups worry that this law will allow the

government to control the activities of NGO's at a time when civil society has been in the forefront of opposition to the Portillo Administration. Trivelli recognized their concern and said that we would review the law closely.

17. (SBU) In response to a question about the status of threats against human rights workers, Samayoa responded that the threats have been cyclical. Some months there are numerous new threats and others are relatively quiet. Overall, she said threats were continuing and were a grave concern to human rights activists. Trivelli and the DCM responded that the USG views the protection of human rights workers as one of our highest priorities in Guatemala and that they should never hesitate to solicit our support in specific cases of threats.

Healing scars from the internal conflict in San Jose Poaquil

18. (U) On February 7, WHA/CEN Director Trivelli, PolCouns, HROff, and ConOff drove out to San Jose Poaquil, in the remote mountainous region of Chimaltenango Department where the Army and the guerrillas had turned the sparsely inhabited river valleys into a no-mans land during the early 1980's. On the banks of the Motagua River we observed an exhumation of war victims' remains performed by the Guatemalan Forensic Anthropology Foundation (FAFG). The remains were those of a family, including small children, who had been murdered by "armed, uniformed men" as the family tried to protect their seed corn from pillaging. The only survivors were small children at the time, and they did not know if the perpetrators had been military, PACs or guerrillas, all of whom operated in the area. FAFG director Fredy Peccerelli described the process by which the sites are identified and the legal process the FAFG must follow so that all of the information collected during the exhumation can be preserved for future legal cases. Family members of the victims were also present to observe the exhumation of their loved ones. They were effusive in their thanks to the FAFG and the USG, and said they had been waiting over 20 years to give their slain relatives a proper burial.

19. (U) Trivelli thanked the FAFG for all of their brave work and asked Peccerelli what his personal motivation was to soldier on with the exhumations (this was the FAFG's site number 252) despite the multiple death threats and intimidations he encounters. Peccerelli responded that while in the long term the information the FAFG collects may be used to put war criminals behind bars, he said his motivation is the thousands of family members they have helped heal. He said, "the wounds left by the internal conflict run deep and the people of Guatemala have suffered. If I can help my country heal, one exhumation at a time, then I feel like I am helping to make a difference."

Comment:

20. (C) WHA/CEN Trivelli's visit came at a time of growing internal political confrontation, revolving around the upcoming election, and increasing hope of economic opportunities generated by a free trade agreement with the U.S. All sides view 2003 as a pivotal year for Guatemala, and acknowledged that Guatemala will have to successfully address long festering problems of human and labor rights, counter-narcotics cooperation, the murders of Amcits, official corruption and political confrontation if it is to join its Central American neighbors in reaching a new trade relationship with the United States. Guatemalans are optimistic that they meet this challenge.

21. (U) This cable was cleared by WHA/CEN Director Paul Trivelli.
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